

**CITY OF ROSLYN**  
**Kittitas County, Washington**  
**January 1, 1992 Through December 31, 1993**

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**Schedule Of Findings**

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1.     Controls Over Financial Reporting Should Be Improved

The 1993 annual financial statements prepared by the city contained several errors as listed below:

- Schedule of Long-Term Debt was improperly stated and required restatement.
- The debt payment was reported in total and not shown separately as principle and interest.
- Ordinances were not adopted to support the opening and closing of funds.
- Fund titles and purposes were not consistently carried forward from one year to the next.
- Several of the fund account titles and numbers did not agree to the *Budgeting, Accounting and Reporting System* (BARS) manual.
- Several coding errors were noted on the detailed schedules of revenues and expenditures (Schedules 04 and 05).
- Schedules 04 and 05 did not reconcile to the Schedule of Cash and Investments
- The Water Construction grant received during 1993, for \$68,247, was not reported in the city's financial records.
- Notes to the Financial Statements were incomplete.

RCW 43.09.200 states in part:

The system should exhibit true accounts and detailed statements of funds collected, received, and expended for accounts of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show receipt, use and disposition of all public property, and income, if any, derived therefrom; all sources of public income, and amounts due and received from each source; all receipts, vouchers and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

To satisfy the requirements of RCW 43.09.200, the city's accounting system must include adequate internal controls to detect errors in a timely manner. The American Institute of Certified Public Accountants (AICPA) *Statement of Auditing Standards*, Section 319.69(2) states:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

- a. Transactions are executed in accordance with managements general and specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with managements authorizations.
- d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to differences.

Failure to present annual reports in an accurate manner, creates additional audit costs, denies the public a complete picture of the city's financial position, and precludes the city council from having meaningful information for decision making.

The city council does not review the interim reports in a timely manner and, therefore, when errors occurred they were not detected in a timely manner. We consider this to be a material weakness. At the end of 1993, the city hired a new city treasurer. She tried to correct these errors and in her efforts, additional errors were made to the point where the schedules no longer agreed to the financial statements.

We recommend the city officials establish and maintain sufficient accounting controls to provide accurate financial records. We acknowledge that the city has made improvements and hope they are committed to further improving their accounting and reporting system.

2. Budget Procedures Should Be In Compliance With State And Local Laws

During our audit of the City of Roslyn for the audit periods 1993 and 1992, we noted several deficiencies in the budget process which we consider to be material weaknesses.

- A budget message was not included with the approved budgets.

RCW 35.33.057 states in part:

In every city or town a budget message prepared by or under the direction of the city's or town's chief administrative officer shall be submitted as a part of the preliminary budget to the city's or town's legislative body . . . and shall contain the following:

- (1) An explanation of the budget document;
- (2) An outline of the recommended financial policies and programs of the city for the ensuing fiscal year;
- (3) A statement of the relationship of the recommended appropriations to such policies and programs;
- (4) A statement of the reason for salient changes from the previous year in appropriation and revenue items;
- (5) An explanation for any recommended major changes in financial policy.

- The 1992 budget was adopted through a council approved motion and not by an ordinance.

RCW 35.33.075 states in part:

Following conclusion of the hearing, and prior to the beginning of the fiscal year, the legislative body shall make adjustments and changes as deemed necessary or proper and after determining the allowance in each item, department, classification and fund, and shall by ordinance, adopt the budget in its final form and content.

- The adoption of the 1993 budget was concluded 17 days after the required deadline.

RCW 35.33.071 states in part:

. . . The hearing may be continued from day to day but not later than the twenty-fifth day prior to commencement of the city's or town's fiscal year.

- The city did not include detailed estimates of revenues and expenditures in the 1993 and 1992 adopted budget.
- The approved budget with its amendments were not accurately reported in the accounting records.

- Negative cash and investment balances were adopted in the budget for the following funds:

1993

001 Current Expense	(\$18,703)
101 Street	(7,073)

1992

001 Current Expense	(\$ 44,077)
401 Water	(108,189)

RCW 35.33.041 states in part:

All estimates of receipts and expenditures for the ensuing year shall be fully detailed in the annual budget and shall be classified and segregated according to standard classification of accounts adopted and prescribed by the state auditor . . .

- Budgets were not adopted for all required funds.

1992

105 Contingency Fund  
403 Sewer Reserve

The BARS manual, as promulgated by the State Auditor's Office, Volume 1, Part 2, Chapter 1, page 7-10 states in part:

1. Normally all general (current expense), special revenue, and proprietary funds of local governments must have annual appropriated budgets . . .
2. Normally debt service and capital project budget requirements are met by the continuing appropriation contained in the enabling ordinance or resolution. These funds do not need annual budgets.

- The following funds incurred expenditures in excess of the final budget appropriations:

1993

401 Sewer Fund	\$9,671
633 Water Study	3,100

1992

101 Street	\$ 76,469
105 Contingency	71,688
402 Water	798,728

RCW 35.33.125 states in part:

The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund, except upon order of a court of competent jurisdiction or for emergencies as provided in this chapter.

City officials did not monitor the accounting records and budgets maintained by the city clerk.

Failure of the city to monitor and amend the budgets in a timely manner is contrary to statutory requirements cited and impedes management from being fiscally responsible over the city's financial records and activities.

We recommend the city officials take an active role in preparing a complete and accurate budget document. We also recommend the city officials develop and implement a system of budget controls which will ensure compliance with budgetary requirements.

3. The City Should Maintain And Have Available All Records For Review

During our audit of the city's grants, we noted that the records on the Department of Health grant were not available for review.

The contract signed by the city and the Department of Health, No. 2610-01210, states in part:

E. PROJECT TRACKING

The Municipality will maintain financial records in accordance with requirements of the State Auditor's office.

Per RCW 43.09.260, which states in part:

The state auditor, the chief examiner, and every state examiner shall have the power by himself or any person legally appointed to perform the service, to examine into all financial affairs of every public office and officer.

. . . whether the Constitution and laws of the state, the ordinances and orders of the taxing district, and the requirements of the division of municipal corporations have been properly complied with; and into the methods and accuracy of the accounts and reports.

The absence of the accounting records denies the public from reviewing the city's financial records, precludes the city employees from performing their assigned duties, and increases the risk that errors and/or irregularities could occur and not be detected in a timely manner.

The oversight review of the Department of Health grant was assigned to a council member who is no longer on the board. During his term, he kept the records at his home. He has stated that the records for the completed portion of the grant have been returned to the city, and only the part in process is still with him. The city has no knowledge of the receipt of these records and has stated that they are with the prior council member.

We recommend the city maintain all city accounting records at the city hall, so that they are available for review and that the employees can perform their assigned duties.

4. The City of Roslyn Should Not Approve Extra Compensation After The Performance Period

On July 27, 1993, through a board approved resolution, the city officials granted a one-time performance pay bonus of \$800 to the city clerk for performing the duties of the city clerk and treasurer for the months of May 1993 through July 1993.

Article II, Section 25 of the Washington State Constitution states in part:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered . . . .

The city treasurer resigned her position in April of 1993. Until a replacement could be found, the city clerk performed the duties of both the clerk and treasurer. When the council members replaced the city treasurer, they granted the city clerk a bonus for a job well done.

We recommend the city, when granting bonuses, base the bonus on the performance prior to the actual performance performed.